

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
3 Chairman
4 JIM IRVIN
5 Commissioner
6 MARC SPITZER
7 Commissioner

8 In the matter of:
9
10 21st CENTURY SATELLITE
11 COMMUNICATIONS, INC.
12 14910 Winding Creek Court, Suite 101A
13 Tampa, Florida 33613

14 HOWARD S. BALDWIN
15 5926 E. Lewis Av.
16 Scottsdale, AZ 85257

17 GLENN A. LIBERATORE FINANCIAL
18 SERVICES
19 165 W. Canyon Crest Rd., Suite 305
20 Alpine, UT 84004

21 GLENN A. LIBERATORE
22 165 W. Canyon Crest Rd., Suite 305
23 Alpine, UT 84004,

24 Respondents.
25
26

DOCKET NO. S-03449A-01-0000

DECISION NO. 64872

**ORDER TO CEASE AND DESIST,
ORDER OF RESTITUTION, ORDER
FOR ADMINISTRATIVE PENALTIES
AND CONSENT TO SAME
BY: RESPONDENT HOWARD S.
BALDWIN**

18 RESPONDENT HOWARD S. BALDWIN ("BALDWIN") elects to permanently waive his
19 right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-
20 1801, *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order Of Restitution,
21 Order For Administrative Penalties And Consent To Same ("Order"). BALDWIN admits the
22 jurisdiction of the Arizona Corporation Commission ("Commission"); neither admits nor denies the
23 Findings of Fact and Conclusions of Law contained in this Order but agrees that he shall not challenge
24 the validity of the Findings of Fact and Conclusions of Law in any present or future administrative
25 proceeding before the Commission or any other state agency concerning the denial or issuance of any
26

1 license or registration required by the State to engage in the practice of any business or profession; and
2 consents to the entry of this Order by the Commission.

3
4 **I.**

5 **FINDINGS OF FACT**

6
7 1. BALDWIN is an Arizona resident, residing at 5926 E. Lewis Av., Scottsdale, AZ
8 85257.

9
10 **The 21st CENTURY Promissory Notes**

11 2. Respondent 21st CENTURY SATELLITE COMMUNICATIONS, INC. (“21st
12 CENTURY”) is a Florida based company that allegedly installed satellite antenna equipment at gated
13 communities, receiving monthly fees from subscribers in exchange for programming. 21st CENTURY
14 began in business in 1997, raising over \$23,000,000 from the sale of promissory notes nationwide.
15 \$262,000 of the notes were sold in Arizona. 21st CENTURY offered its promissory notes through
16 marketing agents, such as Respondent GLENN A. LIBERATORE FINANCIAL SERVICES (“GALFS”)
17 GALFS and Respondent GLENN A. LIBERATORE (“LIBERATORE”), who recruited sales agents such
18 as BALDWIN. The 21st CENTURY promissory notes stated that interest payable to the note holders was
19 13% per annum. The notes offered were generally for five year terms. In addition, some investors received
20 promises of an additional profit incentive. That additional profit incentive provided that the investor would
21 receive 25% of 21st CENTURY’s profit, in proportion to the amount the investor invested compared to the
22 total capital cost of equipment. Despite such a promise, as of this date no Arizona investor received any
23 return from the profit incentive.

24 3. On or about February 18, 1998, BALDWIN, an Arizona insurance agent, entered into an
25 agreement with GALFS, for him to sell the 21st CENTURY promissory notes to his clients. That
26

1 agreement gave BALDWIN commissions of 12%. In operating under the agreement with GALFS,
2 BALDWIN primarily utilized information concerning 21st CENTURY that was provided by
3 LIBERATORE .

4 4. GALFS, LIBERATORE and BALDWIN participated in the sale of 16 promissory notes
5 to 14 Arizona investors for a total investment of \$262,000. The notes were sold from April 1998
6 through February 2000. BALDWIN received \$31,440 in commissions from the sales of the 21st
7 CENTURY promissory notes.

8 5. The investors were told that there was little risk from the notes as the notes were secured
9 by a UCC-1 that would be filed by 21st CENTURY. They were not informed that the promissory notes
10 were not registered as securities in Arizona or exempt from registration, nor were they informed of the
11 financial incentives that BALDWIN received for selling the promissory notes and were not provided
12 full disclosure regarding the investment including risk, adequate disclosure statements, prospectuses or
13 financial information.

14 6. 21st CENTURY made interest payments until October 2000, when it defaulted on its
15 notes. No interest payments have been made since that time. No investor has received his or her
16 principal back from 21st CENTURY. Despite the existence of the UCC paperwork, no security has
17 been foreclosed upon on behalf of any investor.

18 7. On October 12, 2001, the United States Securities and Exchange Commission sued 21st
19 CENTURY and two of its officers for violation of the Federal securities laws for selling the promissory
20 notes. 21st CENTURY and its two officers agreed to entry of judgment against them. 21st CENTURY
21 then filed for bankruptcy. A plan of reorganization has been approved in the Federal Bankruptcy Court
22 that anticipates that the note holders will receive shares of stock in a new company and a portion of
23 their principal back in cash.

24 ..

25 ..

26 ..

1 ..

The Viatical Policies

2
3 8. In 1997-99, BALDWIN sold viatical settlement contracts to Arizona investors. He sold
4 the viatical settlement contracts to 11 Arizona investors for a total principal of \$356,335.14.
5 BALDWIN received a total of \$15,724.13 in commissions.

6 9. In connection with the sales of the viaticals, BALDWIN failed to inform the investors of
7 certain material facts that may have influenced the investors' decision to invest in the viaticals, including:

8 a) Not informing investors that they would need to pay the insurance policy premiums if
9 the viator lived longer than expected;

10 b) The fact that investors who made investments with IRA funds might be required to
11 make required withdrawals from the IRA even if the viator was still alive if the investor reached the age of
12 required distribution;

13 c) The fact that the investment is illiquid and there may be no public market available for
14 resale or other disposal of the security;

15 d) The fact that certain policies, such as group policies, may be subject to change, and may
16 not provide returns as promised;

17 e) The fact that the investment may not be suitable for persons who have a need for a
18 regular income from their investments.

19 10. BALDWIN failed to provide full disclosure that the medical reports on the viators were
20 outdated, failed to provide adequate disclosure statements, prospectuses or financial statements of the
21 viatical service providers including but not limited to past operations, balance sheets, statements of
22 income, retained earnings, cash flows and uses of proceeds that would reflect the financial position of
23 these entities and failed to disclose the fees and commissions payable to BALDWIN, medical advisors, or
24 any other participants in the program.

25 ..

26 ..

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. BALDWIN offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. BALDWIN violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. BALDWIN violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. BALDWIN violated A.R.S. § 44-1991 by offering or selling securities within or from Arizona by making untrue statements or misleading omissions of material facts. In connection with the 21st CENTURY Promissory Note sales, BALDWIN's conduct includes, but is not limited to, the following:

- a) Failing to disclose the financial incentives he received for selling the promissory notes;
- b) Failing to provide full disclosure regarding the risk of the investment, including the potential to lose principal, the possibility that no assets existed to secure the UCC filings and the riskiness of investing in a company with a limited track record;
- c) Failing to provide investors with adequate disclosure statements, prospectuses or financial statements including but not limited to past operations, balance sheets, statements of income, retained earnings, cash flows and uses of proceeds that would reflect the financial position of 21st CENTURY.

In connection with the viatical settlement policies, BALDWIN's conduct includes, but is not limited to, the following:

- a) Failing to inform investors that the viatical settlement policies were not registered as securities in Arizona and were not exempt from registration;
 - b) Failing to provide full disclosure regarding the investment including such as:
 - i. the fact that the investment is illiquid and there may be no public market available for resale or other disposal of the security;
 - ii. the fact that certain policies, such as group policies, may be subject to change, and may not provide returns as promised;
 - iii. the fact that the investment may not be suitable for persons who have a need for a regular income from their investments;
 - iv. the fact that all involved parties, such as GALFS, LIBERATORE and BALDWIN, and any medical advisors or other participants receive their commissions and fees from the investment up front;
 - v. the fact that an investment made with IRA funds may require mandatory withdrawals before the investment itself matures, thereby causing potentially adverse tax issues for the investor.
 - c) Failing to provide adequate disclosure statements, prospectuses or financial statements of the viatical service providers including but not limited to past operations, balance sheets, statements of income, retained earnings, cash flows and uses of proceeds that would reflect the financial position of these entities.
6. BALDWIN's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.
 7. BALDWIN's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.
 8. BALDWIN's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

1 ..
2 ..
3
4 **III.**

5 **ORDER**

6 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and BALDWIN's
7 consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the
8 public interest, and necessary for the protection of investors:

9 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that BALDWIN permanently cease and desist
10 from violating the Securities Act.

11 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that BALDWIN shall pay
12 restitution to investors shown on the records of the Commission in the amount of \$47,164.13. Any
13 amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until
14 paid in full. Payment shall be made by cashier's check or money order payable to the "State of
15 Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona
16 Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to
17 investors. If all investors are paid in full, any excess funds shall revert to the state of Arizona.

18 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that BALDWIN shall pay an
19 administrative penalty in the amount of \$5000.00, payable to the "State of Arizona." Any amount
20 outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid
21 in full. If BALDWIN pays restitution in full, the administrative penalty shall be reduced to \$2,000. If
22 BALDWIN does not comply with this order for administrative penalties, any outstanding balance may
23 be deemed in default and shall be immediately due and payable.
24
25
26

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2002.

BRIAN C. McNEIL
Executive Secretary

DISSENT

This document is available in alternative formats by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

(md)

CONSENT TO ENTRY OF ORDER

1
2 1. RESPONDENT HOWARD S. BALDWIN (“BALDWIN”) admits the jurisdiction of
3 the Commission over the subject matter of this proceeding. BALDWIN acknowledges that he has been
4 fully advised of his right to a hearing to present evidence and call witnesses and BALDWIN
5 knowingly and voluntarily waives any and all rights to a hearing before the Commission and all other
6 rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
7 Administrative Code. BALDWIN acknowledges that this Order To Cease And Desist, Order Of
8 Restitution, Order For Administrative Penalties And Consent To Same (“Order”) constitutes a valid
9 final order of the Commission.

10 2. BALDWIN knowingly and voluntarily waives any right he may have under Article 12
11 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
12 resulting from the entry of this Order.

13 3. BALDWIN acknowledges and agrees that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. BALDWIN acknowledges that he has been represented by counsel in this matter, he has
16 reviewed this Order with his attorney and understands all terms it contains.

17 5. BALDWIN neither admits nor denies the Findings of Fact and Conclusions of Law
18 contained in this Order. BALDWIN agrees that he shall not challenge the validity of the Findings of
19 Fact and Conclusions of Law in any present or future administrative proceeding before the
20 Commission or any other state agency concerning the denial or issuance of any license or registration
21 required by the State to engage in the practice of any business or profession.

22 6. BALDWIN agrees not to take any action or to make, or permit to be made, any public
23 statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or
24 creating the impression that this Order is without factual basis.

1 7. While this Order settles this administrative matter between BALDWIN and the
2 Commission, BALDWIN understands that this Order does not preclude the Commission from
3 instituting other administrative proceedings based on violations that are not addressed by this Order.

4 8. BALDWIN understands that this Order does not preclude the Commission from
5 referring this matter to any governmental agency for administrative, civil or criminal proceedings that
6 may be related to the matters addressed by this Order.

7 9. BALDWIN understands that this Order does not preclude any other agency or officer of
8 the state of Arizona or its subdivisions from instituting administrative, civil or criminal proceedings
9 that may be related to matters addressed by this Order.

10 10. BALDWIN agrees that he will not apply to the state of Arizona for registration as a
11 securities dealer or salesman or for licensure as an investment adviser or investment adviser
12 representative for a period of five years from the date of this Order.

13 11. BALDWIN agrees that he will not exercise any control over any entity that offers or
14 sells securities or provides investment advisory services, within or from Arizona for a period of five
15 years from the date of this Order.

16 12. BALDWIN agrees that until restitution and penalties are paid in full, he will notify the
17 Director of the Securities Division within 30 days of any change in home address or any change in
18 BALDWIN's ability to pay amounts due under this Order.

19 13. BALDWIN understands that default shall render him liable to the Commission for its
20 costs of collection and interest at the maximum legal rate.

21 14. BALDWIN agrees that he will continue to cooperate with the Securities Division
22 including, but not limited to, providing complete and accurate testimony at any hearing in this matter
23 and cooperating with the state of Arizona in any related investigation or any other matters arising from
24 the activities described in this Order.

25 ..

26 ..

15. BALDWIN consents to the entry of this Order and agrees to be fully bound by its terms and conditions. If BALDWIN breaches any material provision of this Order, the Commission may vacate this Order and restore this case to its active docket.

Howard S. Baldwin

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____, 2002.

NOTARY PUBLIC

My Commission Expires:

11

Decision No. _____